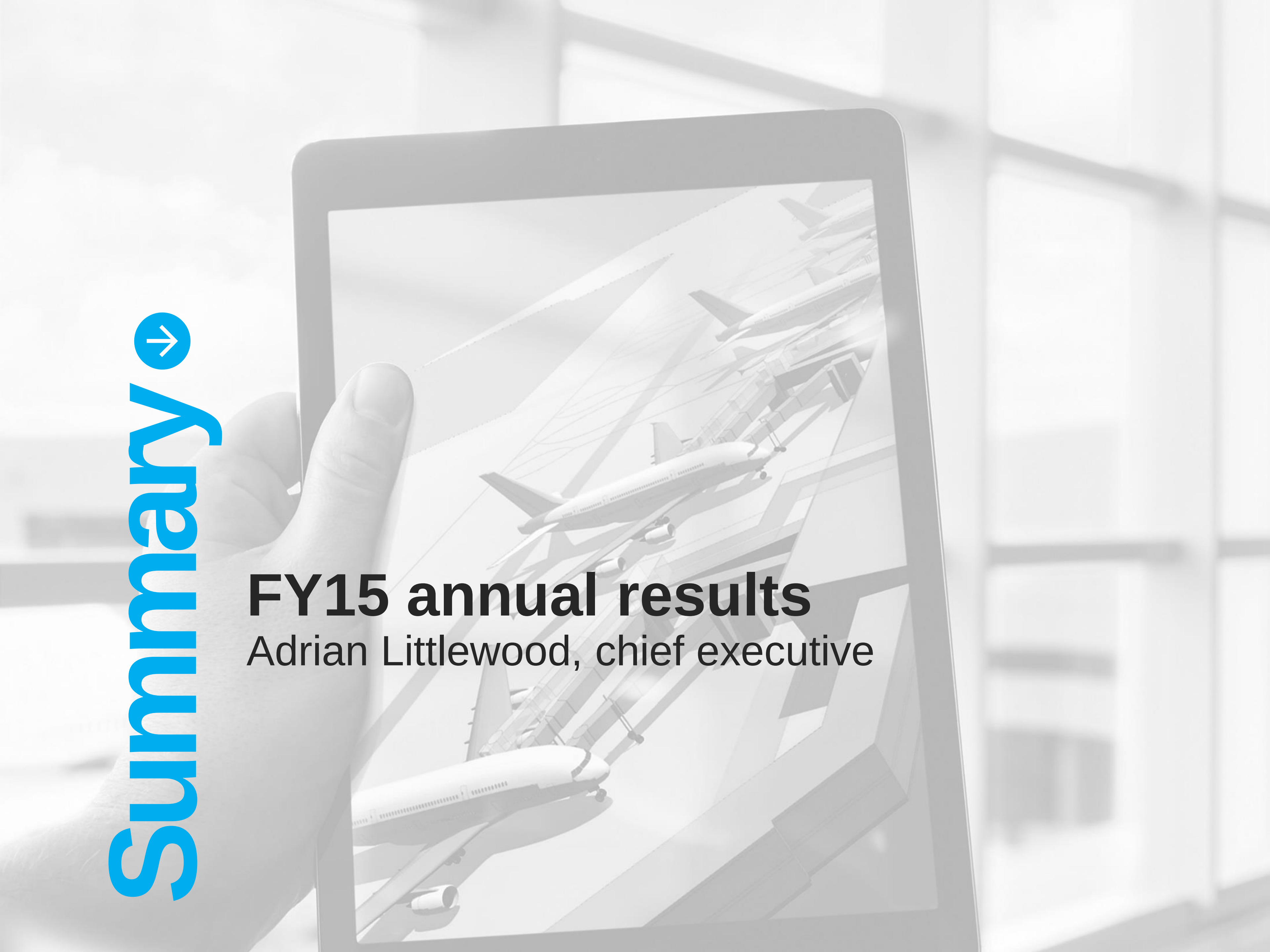
Auckland Airport

Delivering for the future

Annual Report 2015

This annual results presentation dated 24 August 2015 provides additional comment on the media and financial materials released before the market opened on the same date. As such, it should be read in conjunction with, and subject to, the explanations and views provided in that release.



Summary

FY15 annual results

Adrian Littlewood, chief executive

A great year

Auckland Airport

Passenger movements

↑ 5.0% **15.8m**

International 8.1m Up 5.7% | Domestic 7.2m Up 4.2%
International transits 0.5m Up 6.7%

Revenue

↑ 6.9% **$508.5m**

Operating EBITDAFI

↑ 7.0% **$380.0m**

Total profit

↑ 3.5% **$223.5m**

Underlying profit

↑ 3.8% **$176.4m**

Underlying EPS

↑ 12.9% **14.8c**

Highlights

Growing travel markets

- **Passenger growth:** Momentum from Q2 maintained with strong, broad and high quality growth in international passengers
- **New routes and markets:** Increased access to both emerging and established markets with new routes to China (Beijing), North America (Houston) and South America (Buenos Aires) announced
- **New carriers:** New flights announced from Philippine Airlines. China Eastern, Air China adding greater connectivity to China
- **Domestic:** Jetstar expansion set to drive improved regional competition
- **Industry leadership:** Working with industry to drive greater shoulder season arrivals

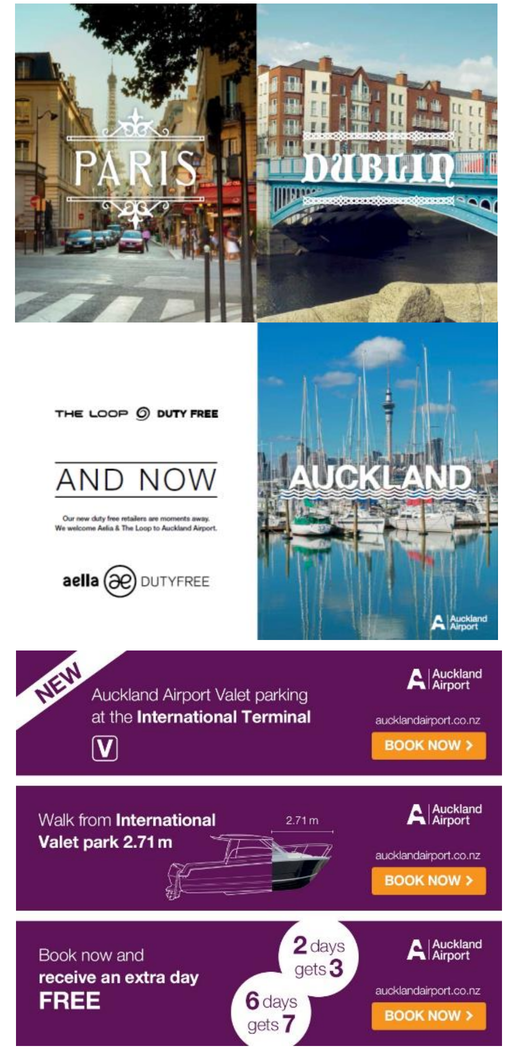
Fast, efficient and effective

- **Deeper relationship with partners:** Driving greater efficiency through collaborative decision making system and more efficient flight paths
- **New technology:** Completed roll out of new operating technology platform
- **New ways to support customers:** Evolved our customer service model to drive greater productivity and customer engagement

Highlights

Strengthening our consumer business

- Completed duty free tender and successfully introduced two new world class duty free providers in Aelia and The Loop
- Launched a range of new specialty stores throughout the year including Comvita, MAC, Saben, Casio G Shock, 3 Wise Men
- Solid overall PSR performance (-1.0%), despite tobacco allowance changes
- Increased public carparking by 1,200 spaces and provided new valet service across both terminals
- Continued to innovate with new Tripit integration expanding our relevance and contact with customers



Highlights

Auckland Airport

Investing for future growth

- Investment in new capacity in terminals and airfield supporting domestic and regional growth
- Significant step up in property momentum leading to excellent results. Also benefitting from diversification of tenants
- Identified the preferred site for Hotel 3. Increased capacity by ~50% at ibis hotel with an additional 73 rooms from December 2014
- Queenstown has again shown its strength of position within the NZ tourism market with international growth of 29%. North Queensland Airports increased underlying earnings by 25.5%

Rent roll	**↑ 20.2% $56.1m**
Weighted average lease term	**14.1% ↑**
Novotel underlying earnings	**↑ 8.3%**
ITB baggage capacity	**↑ ~40%**

Financial Performance

FY15 annual results

Philip Neutze, acting chief financial officer

Strong profit result

Full year financial results

	12 months to 30 June 2015 $M	12 months to 30 June 2014 $m	Change %
Revenue	508.5	475.8	6.9
Expenses	128.5	120.6	6.6
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	**380.0**	**355.2**	**7.0**
Share of profit from associates	12.5	11.6	7.8
Derivative fair value increase	(0.7)	0.6	(216.7)
Property, plant and equipment revaluation	(11.9)	4.1	(390.2)
Investment property revaluation	57.2	42.0	36.2
Depreciation expense	64.8	63.5	2.0
Interest expense	86.0	68.2	26.1
Taxation expense	62.8	65.9	(4.7)
Reported net profit after tax	**223.5**	**215.9**	**3.5**
Underlying profit after tax[1]	**176.4**	**169.9**	**3.8**

[1] A reconciliation showing the difference between reported net profit after tax and underlying profit after tax is included on the following slide

Underlying profit strong also

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Underlying profit

	Reported earnings $M	Adjustments $M	2015 Underlying earnings $M	Reported earnings $M	Adjustments $M	2014 Underlying earnings $M
EBITDAFI	380.0	-	380.0	355.2	-	355.2
Share of profit from associates	12.5	(1.8)	10.7	11.6	(2.9)	8.7
Derivative fair value increases	(0.7)	0.7	-	0.6	(0.6)	-
Investment property revaluation	57.2	(57.2)	-	42.0	(42.0)	-
Property, plant and equipment revaluation	(11.9)	11.9	-	4.1	(4.1)	-
Depreciation	(64.8)	-	(64.8)	(63.5)	-	(63.5)
Interest expense and other finance costs	(86.0)	-	(86.0)	(68.2)	-	(68.2)
Taxation expense	(62.8)	(0.7)	(63.5)	(65.9)	3.6	(62.3)
Profit after tax	**223.5**	**(47.1)**	**176.4**	**215.9**	**(46.0)**	**169.9**

- We have made the following adjustments to show underlying profit after tax for the 12-month periods ended 30 June 2015 and 30 June 2014: We have reversed out the impact of revaluations of investment property in 2015 and 2014. An investor should monitor changes in investment property over time as a measure of growing value. However, a change in one particular year can be too short for measuring performance. Changes between years can be volatile and will consequently impact comparisons. Finally, the revaluation is unrealised and, therefore, is not considered when determining dividends in accordance with the dividend policy. Consistent with the approach to revaluations of investment property we have also adjusted the revaluation of the building and services, runway, taxiways and aprons class of assets within property, plant and equipment. The fair value changes in property, plant and equipment are less frequent than investment property revaluations also making comparisons between years difficult. The group recognises gains or losses in the income statement arising from valuation movements in interest rate derivatives which are not hedge accounted or where the counterparty credit risk on derivatives impact accounting hedging relationships. These gains or losses, like investment property, are unrealised interest rate derivative movements and are expected to reverse out over the lives of the derivatives. To be consistent we have reversed the revaluations of investment property and financial derivatives that are contained within the share of profit of associates in 2015 and 2014. We also reverse the taxation impacts of the above adjustments in both the 2015 and 2014 financial years.

Passenger growth across the board

Auckland Airport passenger movements

	12 months to 30 June 2015	12 months to 30 June 2014	Change %
International arrivals	4,077,749	3,847,132	6.0
International departures	4,046,686	3,840,704	5.4
International passengers excluding transits	8,124,435	7,687,836	5.7
Transit passengers	493,756	462,560	6.7
Total international passenger movements	8,618,191	8,150,396	5.7
Domestic passengers	7,198,595	6,911,689	4.2
Total passenger movements	15,816,786	15,062,085	5.0

- Outstanding full year international passenger growth, especially given the slow start (Q1 1.4%)
- H2 passenger growth ~80% faster than H1 for both domestic and international.
- Strong momentum carried into Q1 FY16
- Summer period schedule is very promising with more capacity coming on line

Aircraft up-gauging delivers benefits

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Aircraft movements and MCTOW

	12 months to 30 June 2015	12 months to 30 June 2014	Change %
Aircraft movements			
International departures	46,692	45,809	1.9
Domestic aircraft movements	104,264	107,454	(3.0)
Total aircraft movements	150,956	153,263	(1.5)
MCTOW (tonnes)			
International MCTOW	4,556,051	4,339,266	5.0
Domestic MCTOW	1,890,764	1,879,199	0.6
Total MCTOW	6,446,815	6,218,465	3.7

- Domestic landings still trending down, but larger aircraft delivering MCTOW growth
- Bigger aircraft introduced on both domestic and international routes, eg:
  - Guangzhou
  - Shanghai
  - Singapore
  - Seoul
  - NZ domestic trunk
  - NZ regional

Revenue growth broad based

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Revenue composition

	12 months to 30 June 2015 $m	12 months to 30 June 2014 $m	Change %
Airfield income	93.3	87.6	6.5
Passenger services charge	140.9	131.5	7.1
Retail income	132.0	127.1	3.9
Car park income	46.6	42.8	8.9
Investment property rental income	50.1	45.2	10.8
Other rental income	14.5	14.1	2.8
Other income	31.1	27.5	13.1
Total revenue	508.5	475.8	6.9

- Strong total aeronautical revenue growth (6.9%) reflects solid demand growth and 2% average price increases
- Property division lifted rental income 10.8%, a second consecutive year of double digit growth with new tenancies and rent reviews completed
- Carpark growing strongly (8.9%) with public parking spaces up by 1,200

Operating expenses reflect strategic focus

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Expenses

	12 months to 30 June 2015 $M	12 months to 30 June 2014 $M	Change %
Staff	46.3	42.5	8.9
Asset management, maintenance and airport operations	44.2	40.3	9.7
Rates and insurance	10.7	10.1	5.9
Marketing and promotions	13.2	13.7	(3.6)
Professional services and levies	7.3	6.8	7.4
Other	6.8	7.2	(5.6)
Total operating expenses	**128.5**	**120.6**	**6.6**
Depreciation	64.8	63.5	2.0
Interest expense	86.0	68.2	26.1

- Staff expenses up 8.9%. First full year with new divisional structure, higher short-term incentives reflecting strong financial performance
- Asset management, maintenance and airport operating expenses up 9.7% with growth in new revenue generating activities, eg Park&Ride, Emperor Lounge, valet
- Professional services fees up 7.4%, reflecting costs associated with infrastructure planning

NQA and Queenstown Airports

Delivered strong contributions to our underlying profit growth

	12 months to 30 June 2015	12 months to 30 June 2014	Change %
Queenstown Airport	**$M**	**$M**	
Total Revenue	24.8	21.9	13.2
EBITDAFI	16.6	15.2	9.2
Domestic Passengers	1,007,713	940,477	6.4
International Passengers	397,927	308,402	29.0
North Queensland Airports	**AU$M**	**AU$M**	
Total Revenue	127.5	124.0	2.8
EBITDAFI	81.6	79.3	2.9
Domestic Passengers	5,030,801	5,024,321	1.3
International Passengers (Including transits)	616,970	608,177	1.4

- Queenstown Airport's financial performance very strong in 2015. The 26% growth in our share of the company's underlying profit reflects 29% international passenger growth and over 6% domestic passenger growth
- NQA passenger growth was modest in 2015, but EBITDAFI performance still pleasing. The 25% growth in our share of NQA's underlying profit benefitted from interest cost savings following borrowing and hedging restructurings completed during the year

Our future

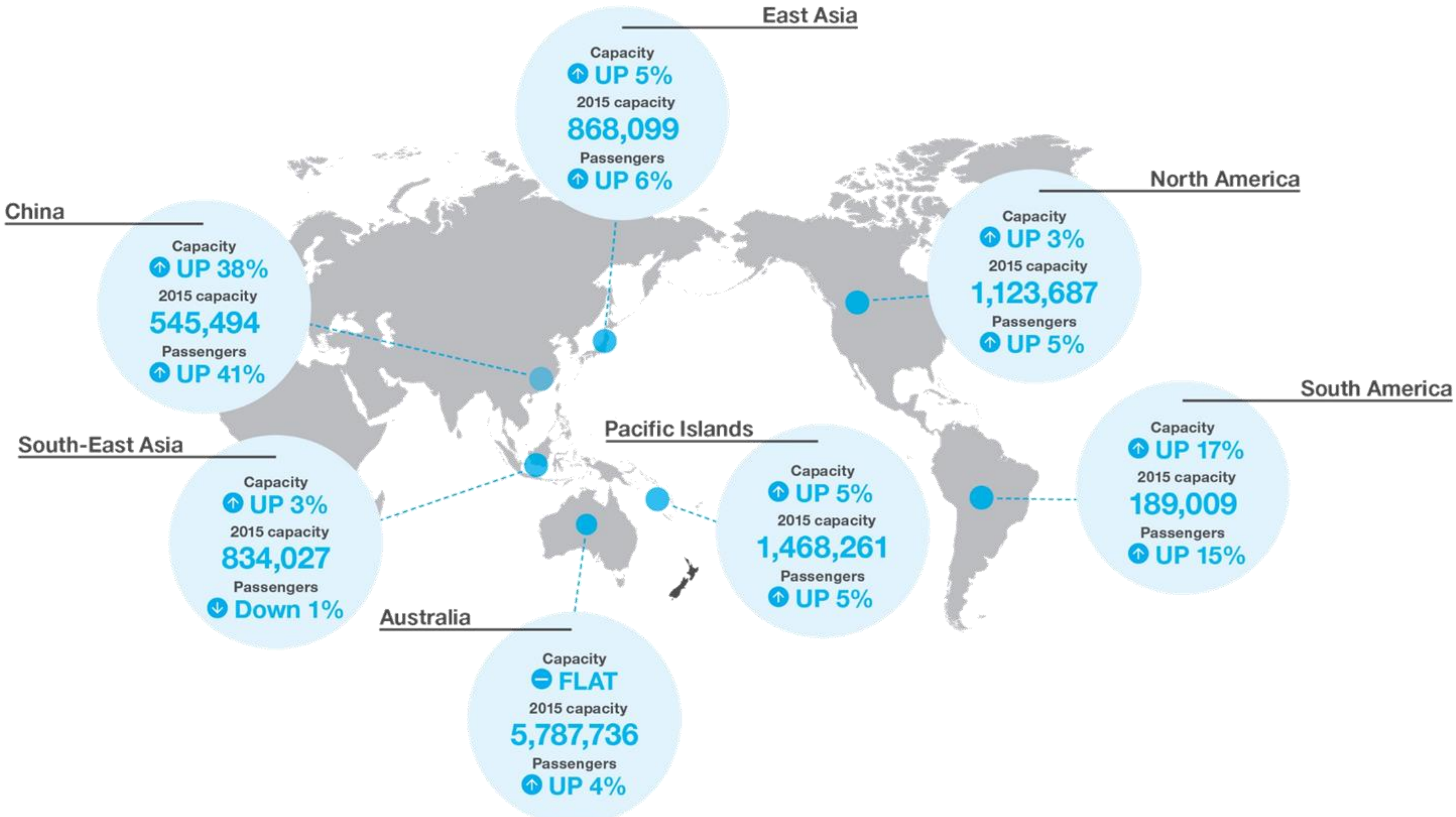
FY15 annual results

Adrian Littlewood, chief executive

All regions growing through Auckland

Auckland Airport

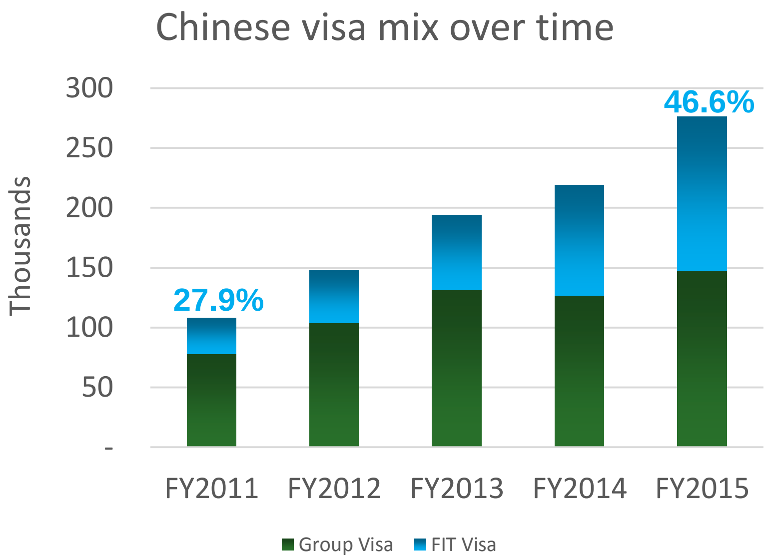
2015 passenger movements and capacity by region



Quality international passenger growth

Higher yielding visitors

- Strong growth in Chinese Free Independent Travellers segment underpinned by direct services
- Driving growth in average trip spend



Industry alignment

- Launched 'Four Season Five Senses' JV with MBIE targeting shoulder seasons. Strong start
- Extending JV programme out to other regions in China and other countries
- Tourism New Zealand reshaping investment towards shoulder season growth

Retail poised for next phase of growth

Total Retail / Duty Free

- Good performance despite impact of tobacco changes. Total PSR -1% inc tobacco, +2.8% ex tobacco
- Seamless transition of new operators into NZ – now refurbishing existing stores to expand footprint/range

Specialty

- Outstanding specialty PSR growth (+25%) with exciting new stores including Comvita, MAC, Saben, Casio G-Shock
- Category growth both in High St and airport a strong signal for future expansion

Online click and collect

- Five retailers running full online click and collect model - momentum building as we learn alongside our retailers

Driving future growth

- Marketing of new speciality and F&B concessions underway (eg luxury, fast fashion, smart casual dining) – good early response from market
- New stores under construction will open for trading
- Joint marketing partnerships to stimulate sales growth

End to end customer experience

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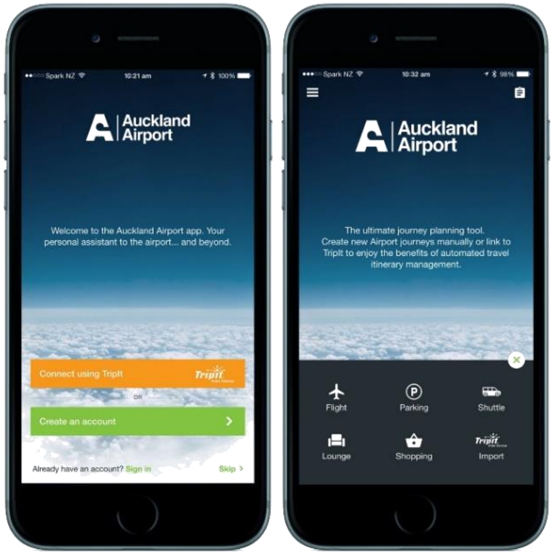
Lifting customer experience delivers two-way value

- Ongoing investment in customer experience (roving agents, concierges, customer information systems, pre-airport travel info)
- Building customer relationships through all channels (Tripit, Web, App, WiFi) and across lines of business (eg parking, retail)
- Delivering tailored service and relevant offers to customers
- Skytrax award for best Airport in Australia/Pacific 7th year in a row

Mobile key delivery mechanism for future

- Upgraded Auckland Airport app with integration of Tripit
- Starting integration of other airport service providers (eg transport partners)
- Increasing our relevance beyond the airport's boundaries across entire customer travel journey
- Key interface for targeted offers and initiatives over longer term



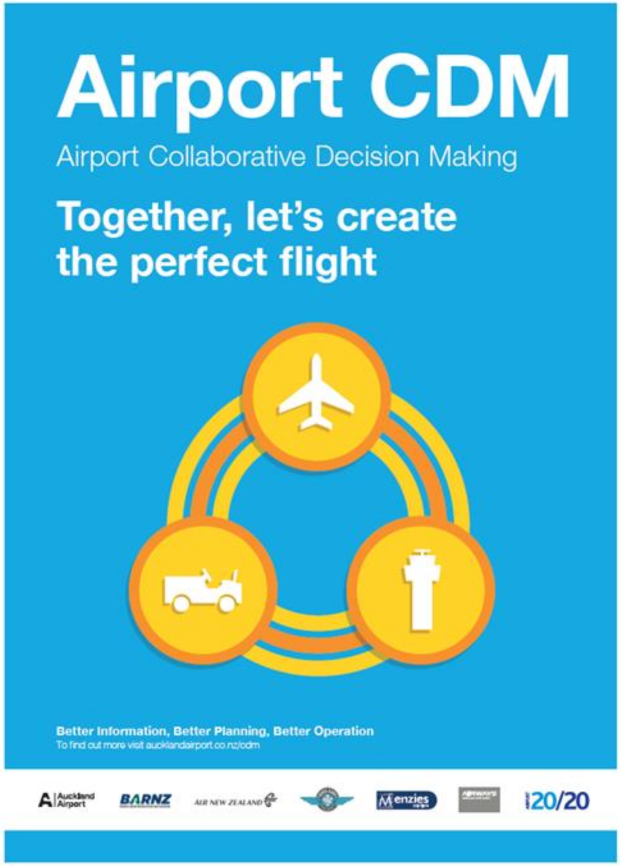
Future airport operating mode

Transition to future operations mode

- Shifting progressively to real-time collaborative operations mode to drive productivity
- ‘Airport Operating System’ and passenger flow system rollout completed during the year
- Close co-ordination with airlines and operational partners eg. Airways, border agencies, ground handlers

Benefits for passengers, the airport and our partners

- Better, and real-time, information for passengers (eg predictive queue times, baggage delivery times) – designed to be mobile capable
- Better resource planning and allocation across all operators (eg staff rosters, asset utilisation)
- Enables early or proactive response to events or peak demands



Car parking continues to grow

Building capacity

- 1,200 extra international and Park&Ride spaces for public use in FY15
- Average revenue per parking space (ARPS) dipped 5.4% due to new space, but total revenue up 8.9%

Providing value-added services

- International valet opened in December 2014 following success of domestic (May 2014). Valet helping to release premium parking spaces
- New capacity will be added to support growth
- Continuing to investigate new products to extend product mix and optimise asset utilisation

Future technology enhancing approach

- Enhancing parking yield and capacity management through roll out of new technology

Demand supports hotel expansion

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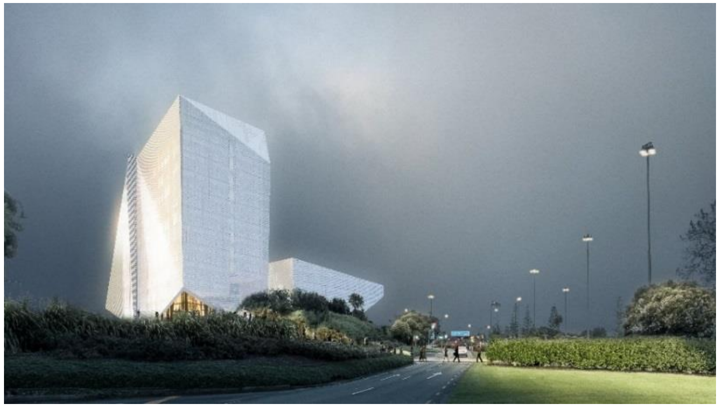
- 50% expansion to Ibis budget hotel in December 2014 with an additional 73 rooms
- Preferred site identified for a third hotel adjacent to international terminal
- First stage of conceptual design and feasibility completed
- Clear on product – expected to comprise 250-300 rooms catering to the mid-tier market



Ibis occupancy 88.7%

Novotel occupancy 87.3%

Strong property momentum

Development activity has never been higher

- Q4 2015 had $162m worth of development projects under construction – quadruple our best prior period
- 87% of projects pre-leased (excl. Quad 7 office)

Growing our logistics core…

- 14,000m^2 expansions including DHL Express, CEVA Logistics and Agility

While attracting new marquee tenants

- Fuji Xerox
- Coca-Cola Amatil

Future developments

- New speculative build in Timberley Road (8,500m^2).
- Stage 3 of the Landing encompassing 9.5 hectares soon to be ready for commercial development
- Quad 7 office: 8,000m^2 underway. Expected completion Q2 FY17

Investing in capacity for growth (1/2)

Auckland Airport

2015 progress

- Addressed initial capacity priorities and took first steps on path to 30 year plan (extra MPI screening space, two new baggage belts at ITB adding +40% capacity)
- Supported growth/fleet changes in domestic with two new regional aircraft stands
- Completed emergency fleet upgrade to support passenger growth
- Continued work on planning approvals to support long term growth (Auckland Unitary Plan, Northern Runway design)
- Commenced important ‘precursor’ projects to enable International Terminal Level 1 redevelopment: relocation of legacy operations centre, core utilities and standby services, tenancies, Air NZ Koru Lounge
- Re-commenced future integrated domestic terminal planning

Investing in capacity for growth (2/2)

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Key focus areas for coming year

- Commencing Level 1 redevelopment construction following design, scope and consultation outcomes
- Staged expansion of Pier B to support international growth and fleet changes
- Develop further domestic stand and gate capacity to support growth in regional market later in 2015
- Continue working with partners on future integrated domestic and international terminal planning
- Working with commercial partners and local and central transport agencies to support improved transport access
- Continued work on statutory planning and northern runway design

Important recent developments

Auckland Airport

Economic regulation

- The Commerce Commission's current Input Methodologies (IM) Review will finish in December 2016
- We are working collaboratively with other airports and industry bodies on the IM review
- WACC methodology will be a key focus
- Targeting completion of consultation and releasing final pricing decision by May 2017

Long Term Incentive changes

- LTI structure reviewed during year. Board is introducing a new plan and has also amended the previous plan by capping potential future rewards

Guidance

- We expect total capital expenditure of between $190 million and $205 million in FY16, including approximately $100 million of aeronautical projects
- Aeronautical capital expenditure will continue firming over the remainder of the current aeronautical pricing period (PSE2) reflecting higher than expected demand and emerging airline requirements regarding Pier B.
- We expect underlying net profit after tax (excluding any fair value changes and other one off items) to be between $183 million and $191 million
- This guidance is subject to any material adverse events, significant one-off expenses, non-cash fair value changes to property and deterioration due to global market conditions or other unforeseeable circumstances.

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